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Taiwan IP Court asked to designate how TIPO assists litigants

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Aten International Co, Ltd v Wavekee International Co, Ltd, Taiwan Supreme Court, 2013-Tai-Shang-1800, 25 September 2013

The Taiwan Supreme Court set aside the country's Intellectual Property Court's judgment for its failure to specify which party the Taiwan Intellectual Property Office (TIPO) should assist or to ask the TIPO to express which party it would like to assist.

Legal context

Article 16 of the Intellectual Property Case Adjudication Act (the 'IP Adjudication Act') of 1 July 2008 provides that:

> [W]hen a party claims or defends that an intellectual property right shall be cancelled or revoked, the court shall decide based on the merits of the case, and the Code of Civil Procedure, Code of Administrative Litigation Procedure, Trade Mark Act, Patent Act, Species of Plants and Seedling Act, or other applicable laws concerning the stay of an action shall not apply.
>
> Under the circumstances in the preceding paragraph, the holder of the intellectual property right shall not claim any rights during the civil action against the opposing party where the court has recognized the grounds for cancellation or revocation of the intellectual property right.

Paragraphs 1 and 2 of Article 17 of the Act further stipulate that:

> [T]o rule on the claims or defence raised by a party pursuant to the first paragraph of the preceding Article, the court may, whenever necessary, order the competent intellectual property authority to intervene in the action.
>
> The competent intellectual property authority may intervene only to determine if there is ground for a claim or defence pursuant to the first paragraph of the preceding article, and Article 61 of the Code of Civil Procedure may apply.

Article 61 of the Code of Civil Procedure reads:

> [E]xcept for acts that contradict the acts conducted by a supported party, an intervener may conduct all acts of litigation for the supported party according to the phase of litigation at the time of intervention.

Facts

The appellant, Aten, filed a patent infringement lawsuit against the respondent, Wavekee, alleging that the products sold by Wavekee fell within the scope of two of its patents and claiming a damage award of NT$10 million plus interest. Wavekee challenged the validity of the asserted patents and submitted several prior art references as evidence. The first instance and the second instance of the Taiwan IP Court recognized Wavekee's viewpoints concerning patent invalidity, both courts holding that the two patents lacked inventive step in light of the prior art citations, thus dismissing Aten's complaint. During the second instance proceeding, while the IP Court ordered the Taiwan Intellectual Property Office (TIPO) to participate in the trial as an intervening party, the TIPO's examiner did not express any opinion, nor did he declare which of the two parties the TIPO would like to assist. The Supreme Court thus set aside and remitted the IP Court's second-instance judgment. In its decision, the Supreme Court ruled that, when ordering the TIPO to intervene in litigation, the IP Court should expressly designate the litigating party to be assisted by the TIPO, so that the TIPO can act accordingly and make appropriate arguments. The Supreme Court pointed out that the IP Court's failure to specify which party the TIPO

should assist, or to ask the TIPO to express which party it would like to assist, ran counter to the legislative intent of the Intellectual Property Case Adjudication Act. The Supreme Court also criticized the IP Court's listing of the TIPO as an intervening party on behalf of Wavekee without first performing the procedures mentioned above.

Analysis

The formation of the Taiwan IP Court and implementation of the Intellectual Property Case Adjudication Act marked an important transition in the development of Taiwan's intellectual property litigation mechanisms. A distinguishing feature of the newly formed IP Court is that an allegation by the defendant in a patent infringement case that the patent at issue is invalid now requires the IP Court itself to rule on the validity issue rather than wait for the TIPO to resolve the matter through a cancellation action; the IP Court also no longer has discretion to stay patent litigation pending the outcome of a cancellation action, as provided in Article 16 of the Act. Because the TIPO remains the government authority in charge of patent affairs, Article 17(1) of the IP Adjudication Act further provides that the IP Court may, when necessary, order the TIPO to participate in litigation, as an intervening party, to provide opinions on patent validity.

Since such 'intervention' is by nature 'supportive', Article 61 of the Civil Procedure Code should apply. This stipulates that 'an intervener may conduct all acts of litigation for the supported party according to the phase of litigation at the time of intervention, except for acts that contradict the acts conducted by the supported party'. In other words, this means that, when intervening in litigation, the TIPO not only should express an opinion with respect to the validity of the patent at issue, but should also assist only one of the litigants, the plaintiff or the defendant.

However, under the current system, the defendant in a patent litigation may also initiate a cancellation action with the TIPO so as to invalidate the plaintiff's patent. If this action is still pending, the TIPO will be put in a difficult situation as it would not be able to express any opinion on patent validity, let alone decide which of the litigants it should 'assist'. Even if there is no cancellation pending before the TIPO as a third party to the litigation, it is difficult to ask the TIPO examiner carefully to review and study the files of the litigation, fully comprehend the dispute between the parties and then give his or her opinion during the litigation. Consequently, at the initial stage of the IP Court's operation, it seems that the IP Court had not been actively engaging the TIPO, for assistance during patent litigation, as there had been little actual benefit from the TIPO's intervention.

As a result, the Supreme Court has reiterated on numerous occasions, between 2009 and 2011, the importance of 'the TIPO's intervention in litigation' (Judgments Nos 2009-Tai-Shang-2373, 2010-Tai-Shang-112, 2011-Tai-Shang-480, 2011-Tai-Shang-1013 and 2011-Tai-Shang-986). In particular, these judgments established that intervention by the TIPO in litigation deserves consideration if the court is leaning towards overturning a TIPO-issued rejection of a cancellation action. In Judgment No 2011-Tai-Shang-986, wherein a cancellation action is still pending before the TIPO, the Supreme Court even pointed out that the IP Court should consider whether to wait until the cancellation action becomes final and then seek the TIPO's professional opinion. As the Supreme Court has repeated this principle in its judgments, it appears that the IP Court tended to order the TIPO to intervene in the patent litigation in order to avoid any procedural defects. However, it remains difficult for the TIPO to express any concrete opinions with regard to patent validity. Accordingly, even if the TIPO is ordered by the court to intervene in the litigation, such intervention is no more than a formality with little substantive effect. The requirement for 'the TIPO to assist a litigant' in intellectual property rights cases has been rendered superfluous. In light of this situation, the Supreme Court gave specific instructions on the improvement to be made by the IP Court in Judgment No 2013-Tai-Shang-180, according to which the IP Court is required to clearly indicate which party to the litigation the TIPO should support.

Practical significance

Doubts remain as to the circumstances under which the IP Court can order the TIPO to assist the plaintiff to secure patent validity, and conversely, as to the situations under which the court can order the TIPO to assist the defendant to support its position for invalidating the patent. This would be

particularly difficult if a cancellation action to be heard by the TIPO has not yet been concluded.

After the Supreme Court had issued the procedural guidelines mentioned above, the IP Court did not seem to be completely adhering to the newly prescribed practice of expressly indicating in orders for TIPO intervention which party is to be assisted. Rather, the IP Court tends to require the TIPO to make its own decision in this regard, and then incorporate a paragraph in the judgment describing the TIPO's statement. For example, in IP Court's Judgments Nos 2012-Min Juan Shan-39 (24 April 2014) and 2013-Min Juan Shan-42 (8 May 2014), the court remarked that the TIPO expressly declined to support either of the parties or to submit any substantial arguments for the reason that the relevant cancellation actions are still pending. In Judgment No 2013-Min Juan Shan-53 of 11 April 2014, the TIPO even stated that it would like to keep silent in respect of patent invalidity and would not identify which party to assist. It is not yet known whether the Supreme Court will insist on or change its view with regard to TIPO intervention.